

**CITY OF MONTEZUMA, IOWA**

**INDEPENDENT AUDITOR'S REPORT**  
**BASIC FINANCIAL STATEMENTS AND**  
**SUPPLEMENTARY AND OTHER INFORMATION**  
**SCHEDULE OF FINDINGS**

**June 30, 2020**



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**City of Montezuma, Iowa  
City Officials  
Year Ended June 30, 2020**

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**(Before January 2020)**

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Corey Simpson	Mayor	January, 2020
Frank R. Brownell, III	Mayor Pro Tem	January, 2020
Ronald Willrich	Council Member	January, 2022
Curtis Bolen	Council Member	January, 2022
Jacki Bolen	Council Member	Resigned December 31, 2019
Brian Cline	Council Member	Resigned October 7, 2019
Matt Eichenberger	Council Member	Elected to open position, began serving November 18, 2019 to January 2022
Christy Sanger	Clerk/Treasurer	Indefinite
Gilbert R. Caldwell III Caldwell, Brierly & Chalupa, PLLC	Attorney	Indefinite

**(After January 2020)**

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Jacki Bolen	Mayor	January, 2024
Ronald Willrich	Mayor Pro Tem	January, 2022
Curtis Bolen	Council Member	January, 2022
Colin Watts	Council Member	January, 2024
Matt Eichenberger	Council Member	January, 2022
River Webb	Council Member	Appointed January 6, 2020 then elected February 25, 2020 in special election to January, 2024
Christy Sanger	Clerk/Treasurer	Indefinite
Gilbert R. Caldwell III Caldwell, Brierly & Chalupa, PLLC	Attorney	Indefinite



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**Van Maanen, Sietstra, Meyer & Nikkel, PC**  
**CERTIFIED PUBLIC ACCOUNTANTS**

## **Independent Auditor's Report**

To the Honorable Mayor and Members of the City Council  
City of Montezuma  
Montezuma, Iowa

### Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business type activities, the discretely presented component unit, each major fund and the aggregate remaining fund information of the City of Montezuma, Iowa, as of and for the year ended June 30, 2020, and the related Notes to the Financial Statements, which collectively comprise the City's basic financial statements listed in the table of contents.

### Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the cash basis of accounting described in Note 1. This includes determining the cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. This includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessments of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the City's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

### Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash basis financial position of the governmental activities, the business type activities, the discretely presented component unit, each major fund and the aggregate remaining fund information of the City of Montezuma as of June 30, 2020, and the respective changes in its cash basis financial position for the year then ended in accordance with the basis of accounting described in Note 1.

### Basis of Accounting

As described in Note 1, these financial statements were prepared on the basis of cash receipts and disbursements, which is a basis of accounting other than U.S. generally accepted accounting principles. Our opinions are not modified with respect to this matter.

### Emphasis of a Matter

As discussed in Note 12 to the financial statements the City of Montezuma adopted new accounting guidance related to Governmental Accounting Standards Board Statement No. 84, *Fiduciary Activities*. Our opinions are not modified with respect to this matter.

### Other Matters

#### *Supplementary and Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Montezuma's basic financial statements. We previously audited, in accordance with the standards referred to in the third paragraph of this report, the financial statements for the nine years ending June 30, 2019 (which are not presented herein) and expressed unmodified opinions on those financial statements which were prepared on the basis of cash receipts and disbursements. The supplementary information included in Schedules 1 through 4, is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with U.S. generally accepted auditing standards. In our opinion, the supplementary information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

The Other Information, Management's Discussion and Analysis, the Budgetary Comparison Information, the Schedule of the City's Proportionate Share of the Net Pension Liability and the Schedule of City Contributions on pages 5-10 and 32-36, has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

### Other Reporting Required by Government Auditing Standards

In accordance with *Governmental Auditing Standards*, we have also issued our report dated October 29, 2020, on our consideration of the City of Montezuma's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the effectiveness of the City's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Montezuma's internal control over financial reporting and compliance.

*Van Maanen, Sietstra, Meyer & Nikkel PC*

Van Maanen, Sietstra, Meyer & Nikkel, PC  
Certified Public Accountants

October 29, 2020

The City of Montezuma provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2020. We encourage readers to consider this information in conjunction with the City's financial statements, which follow.

## **2020 FINANCIAL HIGHLIGHTS**

- Receipts of the City's governmental activities increased 129.76%, or approximately \$1,889,000, from fiscal 2019 to 2020 due primarily to \$1,830,189 in bond proceeds.
- Disbursements of the City's governmental activities decreased 36.21%, or approximately \$840,000 from fiscal 2019 to fiscal 2020 primarily due to timing on capital project payments.
- The City's total cash basis net position increased 48.85%, or approximately \$2,549,000 from June 30, 2019 to June 30, 2020. Of this amount, the cash basis net position of the governmental activities increased approximately \$1,933,000 and the cash basis net position of the business type activities increased approximately \$616,000. The primary increase in governmental activities was due to general obligation bond proceeds of \$1,830,000 received in the current fiscal year and not in the prior fiscal year.

## **USING THIS ANNUAL REPORT**

The annual report consists of a series of financial statements and other information, as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the City's financial activities.

The Government-wide Financial Statement consists of a Cash Basis Statement of Activities and Net Position. This statement provides information about the activities of the City as a whole and presents an overall view of the City's finances.

The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report the City's operations in more detail than the government-wide statement by providing information about the most significant funds.

Notes to Financial Statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

Other Information further explains and supports the financial statements with a comparison of the City's budget for the year and the City's proportionate share of the net pension liability and related contributions.

Supplementary Information provides detailed information about indebtedness, bond and note maturities, changes in fiduciary assets and liabilities and a comparative schedule of receipts and disbursements.

## **Basis of Accounting**

The City maintains its financial records on the basis of cash receipts and disbursements and the financial statements of the City are prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable and accrued items. Accordingly, the financial statements do not present financial position and results of operations of the funds in accordance with U.S. generally accepted accounting principles. Therefore, when reviewing the financial information and discussion within this annual report, readers should keep in mind the limitations resulting from the use of the cash basis of accounting.

## **REPORTING THE CITY'S FINANCIAL ACTIVITIES**

### *Government-wide Financial Statement*

One of the most important questions asked about the City's finances is, "Is the City as a whole better off or worse off as a result of the year's activities?" The Cash Basis Statement of Activities and Net Position reports information which helps answer this question.

The Cash Basis Statement of Activities and Net Position presents the City's net position. Over time, increases or decreases in the City's net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The Cash Basis Statement of Activities and Net Position is divided into two kinds of activities:

- Governmental activities include public safety, public works, health and social services, culture and recreation, community and economic development, general governmental, debt service and capital projects. Property tax and state and federal grants finance most of these activities.
- Business type activities include the water works, the sanitary sewer system, recycling, storm water and gas systems. These activities are financed primarily by user charges.

#### *Fund Financial Statements*

The City has two kinds of funds:

- 1) Governmental funds account for most of the City's basic services. These focus on how money flows into and out of those funds and the balances at year-end that are available for spending. The governmental funds include: 1) the General Fund, 2) the Special Revenue Funds, such as Road Use Tax, Local Option Sales Tax and Employee Benefits Funds, 3) the Debt Service Fund, 4) and the Capital Projects Fund. The governmental fund financial statements provide a detailed, short-term view of the City's general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs.

The required financial statement for governmental funds is a Statement of Cash Receipts, Disbursements and Changes in Cash Balances.

- 2) Proprietary funds account for the City's Enterprise Funds. Enterprise Funds are used to report business type activities. The City maintains five Enterprise Funds to provide separate information for the water, sewer, gas, recycle and stormwater funds. Only the water, sewer and gas funds are considered to be major funds of the City.

The required financial statement for proprietary funds is a Statement of Cash Receipts, Disbursements and Changes in Cash Balances.

Reconciliations between the government-wide financial statement and the fund financial statements follow the fund financial statements.



## GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net position may serve over time as a useful indicator of financial position. The City's cash balance for governmental activities increased from approximately \$2.997 million to approximately \$4.930 million. The analysis that follows focuses on the changes in cash basis net position of governmental activities.

Changes in Cash Basis Net Position of Governmental Activities (Expressed in thousands)		
	Year ended June 30,	
	2020	2019
Receipts:		
Program receipts:		
Charges for service	\$ 89	112
Operating grants, contributions and restricted interest	377	303
Capital grants, contributions and restricted interest	11	15
General receipts:		
Property tax	742	741
Local Option Sales Tax	182	182
Grants and contributions not restricted to specific purposes	-	-
Payment in lieu of taxes	38	-
Unrestricted interest earnings	23	32
Bond proceeds	1,830	-
Miscellaneous	53	52
Sale of Assets	-	19
Total receipts	3,345	1,456
Disbursements:		
Public safety	283	477
Public works	258	259
Culture and recreation	154	177
Community and economic development	65	20
General government	205	189
Debt service	297	213
Capital projects	218	986
Total disbursements	1,480	2,321
Change in cash basis net position before transfers	1,865	(865)
Transfers, net	68	165
Change in cash basis net position	1,933	(700)
Cash basis net position beginning of year	2,997	3,697
Cash basis net position end of year	\$ 4,930	2,997

The City's total receipts and transfers for governmental activities increased by 110.56%, or approximately \$1,792,000. The increase in receipts is mainly due to general obligation bond proceeds received in the 2020 fiscal year and not in 2019. The total cost of all programs and services decreased by approximately \$840,000 or 36.21%.

The cost of all governmental activities this year was \$1.480 million compared to \$2.321 million last year. However, as shown in the Cash Basis Statement of Activities and Net Position on page 12, the amount taxpayers ultimately financed for these activities was approximately \$1,003,000 because some of the cost was paid by those directly benefiting from the programs (approximately \$89,000) or by other governments and organizations that subsidized certain programs with grants, contributions and restricted interest (approximately \$388,000). Overall, the City's governmental activities program receipts increased in 2020 from approximately \$430,000 to approximately \$477,000. The City paid for the remaining "public benefit" portion of governmental activities (\$1,003,000) with taxes (some of which could only be used for certain programs) and other receipts, such as interest, and general entitlements.

Changes in Cash Basis Net Position of Business Type Activities (Expressed in thousands)		
	Year ended June 30,	
	2020	2019
Receipts:		
Program receipts:		
Charges for service:		
Water	\$ 765	744
Sewer	526	353
Gas	730	844
Recycling	65	62
Storm Water	27	25
General receipts:		
Unrestricted interest earnings	40	15
Other general receipts	53	-
Loan proceeds	3,440	-
Total receipts	5,646	2,043
Disbursements:		
Water	631	609
Sewer	3,573	183
Gas	696	764
Recycling	62	61
Storm Water	-	6
Total disbursements	4,962	1,623
Change in cash basis net assets before transfers	684	420
Transfers, net	(68)	(165)
Change in cash basis net position	616	255
Cash basis net position beginning of year	2,220	1,965
Cash basis net position end of year	\$ 2,836	2,220

Total business type activities receipts for the fiscal year were approximately \$5.646 million compared to \$2.043 million last year. Total disbursements and transfers for the fiscal year increased 181.32% to a total of \$5.030 million compared to \$1.788 million last year.

#### INDIVIDUAL MAJOR GOVERNMENTAL FUND ANALYSIS

As the City of Montezuma completed the year, its governmental funds reported a combined fund balance of \$4,930,035, an increase of \$1,932,561 from last year's total of \$2,997,474.

- The General Fund cash balance increased \$56,587 from the prior year to \$1,783,717.
- The Debt Service Fund cash balance increased \$5,341 from the prior year to \$34,225.
- The Capital Projects Fund cash balance increased \$1,729,620 from the prior year to \$1,781,924.
- The Special Revenue, Local Option Sales Tax Fund increased \$91,186 from the prior year to \$731,077.
- The Special Revenue, Road Use Fund increased \$44,371 from the prior year to \$545,270.
- The Special Revenue, Employee Benefits fund increased \$5,456 from the prior year to \$53,822.

#### INDIVIDUAL MAJOR BUSINESS TYPE FUND ANALYSIS

- The Water Fund cash balance increased by \$348,137 to \$1,085,480.
- The Sewer Fund cash balance increased by \$87,594 to \$483,331.
- The Gas Fund cash balance increased by \$64,575 to \$1,080,665.

#### BUDGETARY HIGHLIGHTS

The City's budget was amended during the year to lower to the budgeted disbursements by \$2,747,808. Disbursements budget was increased as follows; public works \$36,000, community and economic development \$5,872, general government \$10,000 and debt service \$320. The disbursements budget was decreased as follows; capital projects (\$800,000) and business type/activities (\$2,000,000).

The City's receipts were \$1,268,857 more than budgeted, primarily in charges for service.

The City's disbursements were \$219,207 less than budgeted, expenditures were under budget primarily in the capital projects function. Expenditures exceeded the budget for fiscal year 2020 in the public safety, culture and recreation, community and economic development, debt service and business type activities functions.

#### DEBT ADMINISTRATION

At June 30, 2020, the City had approximately \$7,435,000 in bonds and other long-term debt, compared to approximately \$2,817,000 last year, as shown below.

Outstanding Debt at Year-End (Expressed in Thousands)		
	June 30, 2020	June 30, 2019
General obligation bonds	\$ 2,965	1,065
Water Revenue-SRF Loan	1,325	1,414
Sewer Revenue-SRF Loan	3,145	338
Total	\$ 7,435	2,817

The Constitution of the State of Iowa limits the amount of general obligation debt cities can issue to 5% of the assessed value of all taxable property within the City's corporate limits. The City's outstanding general obligation debt of \$2,965,000 is below its total calculated constitutional debt limit of approximately \$3.8 million. Additional information about the City's long-term debt is presented in Note 3 to the financial statements.

#### ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

Montezuma elected and appointed officials and citizens considered various factors when preparing the tax rates, fees and fiscal year 2020 budget. Indicators taken into account included capital projects, infrastructure upgrades and economic development programs. Property tax revenues are slated to stay the same, despite the various improvement projects going around town this year.

#### COMPONENT UNIT

The separately issued financial statements for the Montezuma Municipal Light and Power Plant, listed as a component unit on these financial statements, is also available by contacting Christy Sanger, City Clerk, at the address listed below.

## **CONTACTING THE CITY'S FINANCIAL MANAGEMENT**

This financial report is designed to provide our citizens, taxpayers, customers and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Christy Sanger, City Clerk, 501 East Main St., Box 314, Montezuma, Iowa 50171.

## **Basic Financial Statements**

**City of Montezuma, Iowa**  
**Cash Basis Statement of Activities and Net Position**  
**As of and for the year ended June 30, 2020**

	Net (Disbursements) Receipts and Changes in Cash Basis Net Assets						
	Program Receipts				Primary Government		Component Unit
	Disbursements	Charges for Service	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest	Governmental Activities	Business Type Activities	Total
<b>Functions/Programs:</b>							
Primary government:							
Governmental activities:							
Public safety	\$ 283,170	85,498	151,966	11,270	(34,436)	-	(34,436)
Public works	257,972	-	187,923	-	(70,049)	-	(70,049)
Culture and recreation	153,724	1,244	37,224	-	(115,256)	-	(115,256)
Community and economic development	64,663	-	-	-	(64,663)	-	(64,663)
General government	205,296	1,980	-	-	(203,316)	-	(203,316)
Debt service	296,820	-	-	-	(296,820)	-	(296,820)
Capital Projects	218,661	-	-	-	(218,661)	-	(218,661)
Total governmental activities	1,480,306	88,722	377,113	11,270	(1,003,201)	-	(1,003,201)
Business type activities:							
Water	631,238	764,876	-	-	-	133,638	133,638
Sewer	3,572,441	525,643	-	-	-	(3,046,798)	(3,046,798)
Gas	695,758	729,961	-	-	-	34,203	34,203
Recycling	62,305	65,178	-	-	-	2,873	2,873
Storm Water	618	26,867	-	-	-	26,249	26,249
Total business type activities	4,962,360	2,112,525	-	-	-	(2,849,835)	(2,849,835)
Total primary government	\$ 6,442,666	2,201,247	377,113	11,270	(1,003,201)	(2,849,835)	(3,853,036)
Component Unit:							
Municipal Light and Power Plant	\$ 1,946,864	2,609,782	-	-	-	-	662,918
	\$ 1,946,864	2,609,782	-	-	-	-	662,918
<b>General Receipts:</b>							
Property tax and other city tax levied for:							
General purposes					\$ 521,463	-	521,463
Debt service					220,461	-	220,461
Local option sales tax					181,811	-	181,811
Payment in lieu of taxes					37,541	-	37,541
Unrestricted interest on investments					23,360	40,625	63,985
Miscellaneous					53,132	52,692	105,824
Bond Proceeds(net)					1,830,169	3,440,499	5,270,668
Transfers					67,825	(67,825)	-
Total general receipts and transfers					2,935,762	3,465,991	6,401,753
Change in cash basis net position					1,932,561	616,156	2,548,717
Cash basis net position beginning of year					2,997,474	2,219,502	5,216,976
Cash basis net position end of year					\$ 4,930,035	2,835,658	7,765,693
<b>Cash Basis Net Position</b>							
Restricted:							
Expendable:							
Public Streets					\$ 545,270	-	545,270
Debt service/improvements					34,225	65,280	99,505
Memorials/Designated Contributions					43,026	-	43,026
Other purposes					2,566,823	-	2,566,823
Unrestricted					1,740,691	2,770,378	4,511,069
Total cash basis net position					\$ 4,930,035	2,835,658	7,765,693

See notes to financial statements.

**City of Montezuma, Iowa**  
**Statement of Cash Receipts, Disbursements and Changes in Cash Balances**  
**Governmental Funds**  
**As of and for the year ended June 30, 2020**

	General	Debt Service	Capital Projects	Special Revenue			Total
				Local Option Sales Tax	Road Use	Employee Benefits	
Receipts:							
Property tax	\$ 417,001	220,461	-	-	-	104,462	741,924
Other city tax	-	-	-	181,811	-	-	181,811
Licenses and permits	1,980	-	-	-	-	-	1,980
Use of money and property	18,554	-	-	5,258	748	-	24,560
Intergovernmental	111,405	-	-	-	187,923	-	299,328
Charges for service	85,542	-	-	-	-	-	85,542
Private contributions	90,673	-	-	-	-	-	90,673
Miscellaneous	89,055	-	-	-	-	-	89,055
Total receipts	814,210	220,461	-	187,069	188,671	104,462	1,514,873
Disbursements:							
Operating:							
Public safety	278,766	-	-	-	-	4,404	283,170
Public works	72,884	-	-	1,220	144,300	39,568	257,972
Culture and recreation	146,199	-	-	-	-	7,525	153,724
Community & Economic Development	-	-	-	64,663	-	-	64,663
General government	157,787	-	-	-	-	47,509	205,296
Debt service	-	295,820	1,000	-	-	-	296,820
Capital projects	-	-	218,661	-	-	-	218,661
Total disbursements	655,636	295,820	219,661	65,883	144,300	99,006	1,480,306
Excess (deficiency) of receipts over (under) disbursements	158,574	(75,359)	(219,661)	121,186	44,371	5,456	34,567
Other financing sources (uses):							
GO Bond proceeds	-	-	1,795,000	-	-	-	1,795,000
GO Bond premium	-	-	64,786	-	-	-	64,786
GO Bond discount	-	-	(29,617)	-	-	-	(29,617)
Transfers In	-	80,700	133,611	-	-	-	214,311
Transfers Out	(101,987)	-	(14,499)	(30,000)	-	-	(146,486)
Total other financing sources	(101,987)	80,700	1,949,281	(30,000)	-	-	1,897,994
Change in cash balances	56,587	5,341	1,729,620	91,186	44,371	5,456	1,932,561
Cash balances beginning of year, as restated	1,727,130	28,884	52,304	639,891	500,899	48,366	2,997,474
Cash balances end of year	\$ 1,783,717	34,225	1,781,924	731,077	545,270	53,822	4,930,035
<b>Cash Basis Fund Balances</b>							
Restricted for:							
Debt service	\$ -	34,225	-	-	-	-	34,225
Public Streets	-	-	-	-	545,270	-	545,270
Fire Department memorial	43,026	-	-	-	-	-	43,026
Other purposes	-	-	1,781,924	731,077	-	53,822	2,566,823
Unassigned	1,740,691	-	-	-	-	-	1,740,691
Total cash basis fund balances	\$ 1,783,717	34,225	1,781,924	731,077	545,270	53,822	4,930,035

See notes to financial statements.

Exhibit C

**City of Montezuma, Iowa**

**Reconciliation of the Statement of Cash Receipts, Disbursements and Changes in Cash Balances  
to the Cash Basis Statement of Activities and Net Position**

**Governmental Funds**

**As of and for the year ended June 30, 2020**

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<b>Total governmental funds cash balances (Exhibit A)</b>	<b>\$ 4,930,035</b>
<b>Cash basis net position of governmental activities (Exhibit B)</b>	<b>\$ 4,930,035</b>
<b>Change in cash balances (Exhibit B)</b>	<b>\$ 1,932,561</b>
<b>Change in cash basis net position of governmental activities (Exhibit A)</b>	<b>\$ 1,932,561</b>

See notes to financial statements.



## Exhibit D

**City of Montezuma, Iowa**  
**Statement of Cash Receipts, Disbursements and Changes in Cash Balances**  
**Proprietary Funds**  
**As of and for the year ended June 30, 2020**

	Enterprise Funds				
	Major Funds			Non-Major	Total
	Water	Sewer	Gas	Other Proprietary Funds	
Operating receipts:					
Charges for service	\$ 764,876	525,643	729,961	92,045	2,112,525
Total operating receipts	764,876	525,643	729,961	92,045	2,112,525
Operating disbursements:					
Business type activities	496,283	142,189	695,758	62,923	1,397,153
Total operating disbursements	496,283	142,189	695,758	62,923	1,397,153
Excess (deficiency) of operating receipts over (under) operating disbursements	268,593	383,454	34,203	29,122	715,372
Non-operating receipts (disbursements):					
Interest on investments	6,152	4,000	30,372	101	40,625
Miscellaneous	3,500	49,192	-	-	52,692
Revenue Bond proceeds	-	3,068,347	-	-	3,068,347
GO Bond proceeds	270,000	-	-	95,000	365,000
GO Bond premium	9,745	-	-	3,430	13,175
GO Bond discount	(4,455)	-	-	(1,568)	(6,023)
Debt Service	(134,955)	(312,188)	-	-	(447,143)
Capital projects	-	(3,118,064)	-	-	(3,118,064)
Net non-operating receipts (disbursements)	149,987	(308,713)	30,372	96,963	(31,391)
Excess (deficiency) of receipts over (under) disbursements	418,580	74,741	64,575	126,085	683,981
Transfers in	22	14,499			14,521
Transfers (out)	(70,465)	(1,646)	-	(10,235)	(82,346)
Change in cash balances	348,137	87,594	64,575	115,850	616,156
Cash balances beginning of year	737,343	395,737	1,016,090	70,332	2,219,502
Cash balances end of year	\$ 1,085,480	483,331	1,080,665	186,182	2,835,658
<b>Cash Basis Fund Balances</b>					
Restricted for debt service	\$ 14,292	50,988	-	-	65,280
Unrestricted	1,071,188	432,343	1,080,665	186,182	2,770,378
Total cash basis fund balances	\$ 1,085,480	483,331	1,080,665	186,182	2,835,658

See notes to financial statements.

Exhibit E

**City of Montezuma, Iowa**

**Reconciliation of the Statement of Cash Receipts, Disbursements and Changes in Cash Balances  
to the Cash Basis Statement of Activities and Net Position -**

**Proprietary Funds**

**As of and for the year ended June 30, 2020**

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Total enterprise funds cash balances (Exhibit D)	\$ 2,835,658
Cash basis net position of business type activities (Exhibit A)	\$ 2,835,658
Net change in cash balances (Exhibit D)	\$ 616,156
Change in cash balance of business type activities (Exhibit A)	\$ 616,156

See notes to financial statements.

Exhibit F

**City of Montezuma, Iowa**  
**Statement of Cash Receipts, Disbursements and Changes in Cash Balances**  
**Component Unit**  
**As of and for the year ended June 30, 2020**

	Municipal Light and Power Plant
Operating receipts:	
Charges for service	\$ 2,609,782
Total operating receipts	<u>2,609,782</u>
Operating disbursements:	
Business type activities	1,945,844
Total operating disbursements	<u>1,945,844</u>
Excess of operating receipts over operating disbursements	663,938
Non-operating receipts (disbursements):	
Rental income	21,755
Interest on investments	49,435
Miscellaneous	3,475
Miscellaneous expense	(1,020)
Total non-operating disbursements	<u>73,645</u>
Excess (deficiency) of receipts over (under) disbursements	<u>737,583</u>
Change in cash balances	737,583
Cash balances beginning of year	<u>4,152,945</u>
Cash balances end of year	<u>\$ 4,890,528</u>
<b>Cash Basis Fund Balances</b>	
CMMPA required deposit	\$ 199,000
Unreserved	<u>4,691,528</u>
Total cash basis fund balances	<u>\$ 4,890,528</u>

See notes to financial statements.

Exhibit G

**City of Montezuma, Iowa**  
**Statement of Fiduciary Net Position**  
**Custodial Fund**  
**June 30, 2020**

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	<u>Custodial</u>
<b>Assets</b>	
Cash and investments	<u>\$ 9,170</u>
<b>Total assets</b>	<u>9,170</u>
<b>Net position</b>	
Restricted for other organizations	<u>9,170</u>
<b>Total net position</b>	<u><u>\$ 9,170</u></u>

See notes to financial statements.

Exhibit H

**City of Montezuma, Iowa**  
**Statement of Changes in Fiduciary Net Position**  
**Custodial Fund**  
**June 30, 2020**

	<u>Custodial</u>
Additions:	
Local sources:	
Gifts and contributions	\$ 12,000
Total additions	<u>12,000</u>
Deductions:	
Administrative	<u>6,131</u>
Total deductions	<u>6,131</u>
Change in net position	5,869
Net position beginning of year, as restated	3,301
Net position end of year	<u><u>\$ 9,170</u></u>

See notes to financial statements.

(1) **Summary of Significant Accounting Policies**

The City of Montezuma is a political subdivision of the State of Iowa located in Poweshiek County. It was first incorporated in 1868 and operates under the Home Rule provisions of the Constitution of Iowa. The City operates under the Mayor-Council form of government with the Mayor and Council Members elected on a non-partisan basis. The City provides numerous services to citizens, including public safety, public works, health and social services, culture and recreation, community and economic development, and general government services. The City also provides water, sewer, recycling and gas utilities for its citizens.

A. Reporting Entity

For financial reporting purposes, the City of Montezuma has included all funds, organizations, agencies, boards, commissions and authorities. The City has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the City are such that exclusion would cause the City's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the City to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on the City.

These financial statements present the City of Montezuma (the primary government) and its component unit. The component unit discussed below is included in the City's reporting entity because of the significance of its operational or financial relationship with the City. Certain disclosures about the discretely presented component unit are not included because the component unit has been audited separately and a report has been issued under separate cover. The audited financial statements are available at the City Clerk's office.

*Discretely Presented Component Unit*

The Montezuma Municipal Light and Power Plant is presented in a separate column to emphasize that it is legally separate from the City, but is financially accountable to the City, or whose relationship with the City is such that exclusion would cause the City's financial statements to be misleading or incomplete. The Utility is governed by a five-member board appointed by the City Council and the Utility's operating budget is subject to the approval of the City Council.

*Jointly Governed Organizations*

The City participates in several jointly governed organizations that provide goods or services to the citizenry of the City but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. City officials are members of the following boards and commissions: Poweshiek County Assessor's Conference Board and Poweshiek County Joint E911 Service Board.

B. Basis of Presentation

*Government-wide Financial Statements* - The Cash Basis Statement of Activities and Net Position reports information on all of the non-fiduciary activities of the City. For the most part, the effect of interfund activity has been removed from this statement. Governmental activities, which are supported by tax and intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges for service.

The Cash Basis Statement of Activities and Net Position presents the City's non-fiduciary net position. Net position is reported in the following categories/components:

*Non-expendable restricted net position* is subject to externally imposed stipulations which require the cash balance to be maintained permanently by the City, including the City's Permanent Fund.

*Expendable restricted net position* result when constraints placed on the use of cash balances are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

*Unrestricted net position* consists of cash balances not meeting the definition of the preceding categories. Unrestricted net position is often subject to constraints imposed by management which can be removed or modified.

The Cash Basis Statement of Activities and Net Position demonstrates the degree to which the direct disbursements of a given function are offset by program receipts. Direct disbursements are those clearly identifiable with a specific function. Program receipts include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants, contributions and interest on investments restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program receipts are reported instead as general receipts.

*Fund Financial Statements* - Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as non-major governmental funds.

The City reports the following major governmental funds:

The General Fund is the general operating fund of the City. All general tax receipts from general and emergency levies and other receipts not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating disbursements, the fixed charges and the capital improvement costs that are not paid from other funds.

The Debt Service Fund is utilized to account for property tax and other receipts to be used for the payment of interest and principal on the City's general long-term debt.

The Capital Projects Fund is used to account for all resources used in the acquisition and construction of capital facilities and other capital assets.

Special Revenue:

The Local Option Sales Tax Fund is used to account for local option sales tax collections and expenditures as specified in the election to collect those taxes.

The Road Use Tax Fund is used to account for the road use tax allocation from the State of Iowa to be used for road construction and maintenance.

The Employee Benefits Fund is used to account for the collection and disbursement of amounts levied for employee benefits.

The City reports the following major proprietary funds:

The Enterprise, Water Fund accounts for the operation and maintenance of the City's water system.

The Enterprise, Sewer Fund accounts for the operation and maintenance of the City's waste water treatment and sanitary sewer system.

The Enterprise, Gas Fund accounts for the operation and maintenance of the City's gas system.

The City also reports a fiduciary fund which focus is on net position and changes in net position. The City's fiduciary fund includes the following:

The Custodial Fund is used to account for assets held by the City as an agent for individuals, private organizations and other governments.

C. Measurement Focus and Basis of Accounting

The City of Montezuma maintains its financial records on the basis of cash receipts and disbursements and the financial statements of the City are prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable and accrued items. Accordingly, the financial statements do not present financial position and results of operations of the funds in accordance with U.S. generally accepted accounting principles.

Under the terms of grant agreements, the City funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants and general receipts. Thus, when program disbursements are paid, there are both restricted and unrestricted cash basis net position available to finance the program. It is the City's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants and then by general receipts. When a disbursement in governmental funds can be paid using either restricted or unrestricted resources, the City's policy is generally to first apply the disbursement toward restricted fund balance and then to less-restrictive classifications – committed, assigned and then unassigned fund balances.

Proprietary funds distinguish operating receipts and disbursements from non-operating items. Operating receipts and disbursements generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. All receipts and disbursements not meeting this definition are reported as non-operating receipts and disbursements.

D. Property Taxes and Governmental Cash Basis Fund Balances

The following accounting policies are followed in preparing the financial statements:

Property tax revenues recognized in these funds become due and collectible in September and March of the current fiscal year with a 1 ½% per month penalty for delinquent payments; is based on January 1, 2018 assessed property valuations; is for the tax accrual period July 1, 2019 through June 30, 2020 and reflects tax asking contained in the budget certified to the City Council in March 2019.

In the governmental fund financials statements, cash basis fund balances are classified as follows:

*Nonspendable* – Amounts which cannot be spent because they are legally or contractually required to be maintained intact.

*Restricted* – Amounts restricted to specific purposes when constraints placed on the use of the resources are either externally imposed by creditors, grantors, or state or federal laws or imposed by law through constitutional provisions or enabling legislation.

*Assigned* – Amounts the City Council intends to use for specific purposes.

*Unassigned* – All amounts not included in the preceding classifications.

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Other Information. During the year ended June 30, 2020, disbursements exceeded the amounts budgeted in the public safety, culture and recreation, community and economic development, debt service and business type activities functions.

(2) **Cash and Pooled Investments**

The City's deposits in banks at June 30, 2020 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.



The City is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the City Council; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

Included in the June 30, 2020 general fund cash is \$37,756 in library donations and earnings held in trust by the Greater Poweshiek Community Foundation. The \$37,756 is available for use by the library whenever requested by the library board.

At June 30, 2020 the City had the following bank investments:

Type	Carrying Amount	Fair Value
Certificate of deposit	\$ 104,613	104,613
Certificate of deposit	100,000	100,000
Certificate of deposit	42,826	42,826
Certificate of deposit	37,281	37,281
Certificate of deposit	27,774	27,774
Certificate of deposit	66,977	66,977
Total	<u>\$ 379,471</u>	<u>379,471</u>

In addition, the City had investments in the Iowa Public Agency Investment Trust which are valued at an amortized cost of \$1,161,743 pursuant to Rule 2 a-7 under the Investment Company Act of 1940. Included in the \$1,161,743 total, \$526,889 was in an IPAIT C.D. There were no limitations or restrictions on withdrawals for the IPAIT investments. The City's investment in the Iowa Public Agency Investment Trust is unrated.

Interest rate risk – The City's investment policy limits the investment of operating funds (funds expected to be expended in the current budget year or within 15 months of receipt) to instruments that mature within 397 days. Funds not identified as operating funds may be invested in investments with maturities longer than 397 days, but the maturities shall be consistent with the needs and use of the City.

### (3) Bonds and Notes Payable

A summary of changes in bonds and notes payable for the year ended June 30, 2020 is as follows:

	Balance Beginning Balances	Issued During Increases	Redeemed During Decreases	Balance Ending Balances	Due Within One Year
Governmental activities:					
General Obligation Bonds	1,065,000	2,160,000	260,000	2,965,000	245,000
Governmental activities total	<u>\$ 1,065,000</u>	<u>2,160,000</u>	<u>260,000</u>	<u>2,965,000</u>	<u>245,000</u>
Business type activities:					
Water Revenue Notes	1,414,000	-	89,000	1,325,000	92,000
Sewer Revenue Notes	338,000	3,068,347	261,000	3,145,347	225,000
Business-type activities total	<u>\$ 1,752,000</u>	<u>3,068,347</u>	<u>350,000</u>	<u>4,470,347</u>	<u>317,000</u>

A. General Obligation Bonds

A summary of the City's June 30, 2020 general obligation bonds payable is as follows:

Year Ending June 30,	Housing Project & Refunding			Water/Sewer/Street/Drainage Improvements		
	Issued Oct 30, 2012			Issued Jun 21, 2018		
	Interest Rates	Principal	Interest	Interest Rates	Principal	Interest
2021	2.000%	65,000	4,225	2.625%	70,000	21,394
2022	2.250	65,000	2,925	2.625	70,000	19,556
2023	2.250	65,000	1,463	2.625	75,000	17,719
2024	-	-	-	3.000	145,000	15,750
2025	-	-	-	3.000	150,000	11,400
2026-2030	-	-	-	3.000	230,000	9,150
2031-2035	-	-	-	-	-	-
2036-2038	-	-	-	-	-	-
Total		\$ 195,000	8,613		740,000	94,969

Year Ending June 30,	3rd Street/Storm Water/Water			Total		
	Issued Apr 30, 2020			Principal	Interest	Total
	Interest Rates	Principal	Interest			
2021	2.000%	110,000	61,865	\$ 245,000	87,484	332,484
2022	2.000	110,000	59,665	245,000	82,146	327,146
2023	2.300	15,000	57,465	155,000	76,647	231,647
2024	2.300	15,000	57,120	160,000	72,870	232,870
2025	2.300	15,000	56,775	165,000	68,175	233,175
2026-2030	2.300-2.600	500,000	266,165	730,000	275,315	1,005,315
2031-2035	2.600-4.000	745,000	182,880	745,000	182,880	927,880
2036-2038	4.000	520,000	42,400	520,000	42,400	562,400
Total		2,030,000	784,335	\$2,965,000	887,917	3,852,917

On October 30, 2013, the City issued \$1,215,000 in general obligation bonds with interest ranging from 1.00% to 2.25% per annum. Of the total general obligation bonds issued, \$595,000 was for the purpose of advance refunding, which includes \$575,000 of principal plus some of the interest on the September 2007 general obligation bond debt Crossover refunding and \$620,000 was for the purpose of funding the South Diamond Subdivision Capital Project. During the year ended June 30, 2020, the City paid \$65,000 of principal and \$6,025 of interest and fees on the bonds.

On June 21, 2018, the City issued \$925,000 in general obligation bonds with interest ranging from 2.625% to 3.00% per annum. The bonds were issued for the purpose of constructing street, water system, sanitary sewer system and storm water drainage improvements. During the year the City paid \$65,000 of principal and \$23,944 in interest and fees on the bonds.

On April 30, 2020, the City issued \$2,160,000 in general obligation bonds with interest ranging from 2.00% to 4.00% per annum. The bonds were issued for the purpose of constructing street, storm water and water system improvements. During the year ended June 30, 2020, the City paid \$130,000 of principal and \$5,851 in interest and fees on the bonds.

B. Revenue Notes

A summary of the City's June 30, 2020 revenue notes payable is as follows:

Year Ending June 30,	Water Issued Apr 1, 2011			Sewer Issued Sep 4, 2015			Sewer Issued Oct. 4, 2019			Total		
	Interest Rates	Principal	Interest	Interest Rates	Principal	Interest	Interest Rates	Principal	Interest	Principal	Interest	Total
2021	3.000%	\$ 92,000	39,750	2.000%	\$ 17,000	5,618	1.750%	\$ 208,000	82,676	\$ 317,000	128,044	445,044
2022	3.000	95,000	36,990	2.000	18,000	5,320	1.750	212,000	79,415	325,000	121,725	446,725
2023	3.000	98,000	34,140	2.000	18,000	5,005	1.750	216,000	75,705	332,000	114,850	446,850
2024	3.000	101,000	31,200	2.000	18,000	4,690	1.750	221,000	71,925	340,000	107,815	447,815
2025	3.000	105,000	28,170	2.000	19,000	4,375	1.750	225,000	68,058	349,000	100,603	449,603
2026-2030	3.000	576,000	91,680	2.000	99,000	16,834	1.750	1,193,000	279,667	1,868,000	388,181	2,256,181
2031-2035	3.000	258,000	11,670	2.000	109,000	7,823	1.750	549,347	82,729	916,347	102,222	1,018,569
2036-2039		-	-	2.000	23,000	403				23,000	403	23,403
Total		\$ 1,325,000	273,600		\$ 321,000	50,068		\$ 2,824,347	740,175	\$ 4,470,347	1,063,843	5,534,190

The City of Montezuma entered into a Water Revenue loan and Disbursement agreement with the State Revolving Fund. The City has pledged future water customer receipts, net of specified operating disbursements to repay this loan. The April 1, 2011 loan is being received by the City as funds are expended with a maximum loan of \$2,125,000 available. As of June 30, 2013, \$1,963,734 had been extended and the loan was finalized. The interest rate over the loan's life is 3%. The bonds mature June 1, 2032. Interest payments are payable semiannually on June 1 and December 1 of each year, commencing June 1, 2011. The principal is due and payable annually commencing June 1, 2013, and annually thereafter. The total principal and interest remaining to be paid on the note is \$1,598,600. For the current year, principal, interest & fees paid and total customer net receipts were \$134,955 and \$268,593, respectively.

The City of Montezuma entered into a Sewer Revenue Loan and Disbursement agreement with the State Revolving Fund. The city pledged future sewer customer receipts, net of specific operating disbursements to repay this loan. The September 4, 2015 loan disbursed was \$385,845. June 10, 2016 the loan was finalized. The interest rate over the loan's life is 1.75%. There is also a .25% service fee over the life of the loan. The maturity date of the loan is June 1, 2036. Interest payments are payable semiannually on June 1 and December 1 of each year, commencing December 1, 2015. The principal is due and payable annually commencing June 1, 2017, and annually thereafter. The total principal and interest remaining to be paid on the note is \$371,068. For the current year, principal, interest & fees paid and total customer net receipts were \$23,760 and \$383,454 respectively.

On October 4, 2019 the City of Montezuma entered into a Sewer Revenue Loan and Disbursement agreement with the State Revolving Fund. The City pledged future sewer customer receipts, net of specified operating disbursements to repay this loan. The loan is authorized to borrow up to \$4,900,000. As of June 30, 2020, \$3,068,347 has been disbursed with the final total disbursement amount still pending. The interest rate over the loans life is 1.75%. There is also a .25% service fee over the life of the loan. The maturity of the loan is expected to be June 1, 2039. Interest payments are semi annually on June 1 and December 1 of each year commencing December 1, 2019. The principal is due and payable annually commencing June 1, 2020 and annually thereafter. The total principal and interest remaining to be paid on the note as of June 20, 2020 is \$3,564,522. For the current year, principal, interest and fees paid and total customer net receipts were \$288,428 and \$383,454 respectively.

The resolutions providing for the issuance of the revenue notes include the following provisions:

- The notes will only be redeemed from the future earnings of the enterprise activity and the note holders hold a lien on the future earnings of the funds. Net revenues are to equal at least 110% of principal and interest of all bonds due in such fiscal year.
- Sufficient monthly transfers shall be made to separate water and sewer revenue note sinking accounts with the Enterprise funds for the purpose of making the note principal and interest payments when due.
- All funds remaining in the water and sewer accounts after the payment of all maintenance and operating expenses and required transfers shall be placed in a water revenue surplus account within the Enterprise Funds. This account is to be used to transfer money to the sinking fund whenever necessary to prevent or remedy a default in the payment of principal or interest. As long as the sinking fund has the full amounts required any balance in the surplus fund is available to be used as needed for the operation of the utility.

Total interest and fees charged to expense during the fiscal year was \$99,729 and \$33,234 respectively. None was associated with product financing arrangements or capitalized enterprise fund assets.

**(4) Pension Plan**

Plan Description – IPERS membership is mandatory for employees of the City, except for those covered by another retirement system. Employees of the City are provided with pensions through a cost-sharing multiple employer defined benefit pension plan administered by Iowa Public Employees' Retirement System (IPERS). IPERS issues a stand-alone financial report which is available to the public by mail at P.O. Box 9117, Des Moines, Iowa, 50306-9117 or at [www.ipers.org](http://www.ipers.org).

IPERS benefits are established under Iowa Code chapter 97B and the administrative rules thereunder. Chapter 97B and the administrative rules are the official plan documents. The following brief description is provided for general informational purposes only. Refer to the plan documents for more information.

Pension Benefits – A Regular member may retire at normal retirement age and receive monthly benefits without an early-retirement reduction. Normal retirement age is age 65, anytime after reaching age 62 with 20 or more years of covered employment, or when the member's years of service plus the member's age at the last birthday equals or exceeds 88, whichever comes first. These qualifications must be met on the member's first month of entitlement to benefits. Members cannot begin receiving retirement benefits before age 55. The formula used to calculate a Regular member's monthly IPERS benefit includes:

- A multiplier based on years of service.
- The member's highest five-year average salary, except members with service before June 30, 2012 the highest three-year average salary as of that date if it is greater than the highest five-year average salary.

Protection occupation members may retire at normal retirement age, which is generally age 55 and may retire any time after reaching age 50 with 22 or more years of covered employment. The formula used to calculate a protection occupation member's monthly IPERS benefit includes:

- 60% of average salary after completion of 22 years of service, plus an additional 1.5% of average salary for more than 22 years of service but not more than 30 years of service.
- The member's highest three-year average salary.

If a member retires before normal retirement age, the member's monthly retirement benefit will be permanently reduced by an early-retirement reduction. The early-retirement reduction is calculated differently for service earned before and after July 1, 2012. For service earned before July 1, 2012, the reduction is 0.25% for each month that the member receives benefits before the member's earliest normal retirement age. For service earned starting July 1, 2012, the reduction is 0.50% for each month that the member receives benefits before age 65.

Generally, once a member selects a benefit option, a monthly benefit is calculated and remains the same for the rest of the member's lifetime. However, to combat the effects of inflation, retirees who began receiving benefits prior to July 1990 receive a guaranteed dividend with their regular November benefit payments.

Disability and Death Benefits – A vested member who is awarded federal Social Security disability or Railroad Retirement disability benefits is eligible to claim IPERS benefits regardless of age. Disability benefits are not reduced for early retirement. If a member dies before retirement, the member's beneficiary will receive a lifetime annuity or a lump-sum payment equal to the present actuarial value of the member's accrued benefit or calculated with a set formula, whichever is greater. When a member dies after retirement, death benefits depend on the benefit option the member selected at retirement.

Contributions – Contribution rates are established by IPERS following the annual actuarial valuation which applies IPERS' contribution Rate Funding Policy and Actuarial Amortization Method. State statute limits the amount rates can increase or decrease each year to 1 percentage point. IPERS Contribution Rate Funding Policy requires that the actuarial contribution rate be determined using the "entry age normal" actuarial cost method and the actuarial assumptions and methods approved by the IPERS Investment Board. The actuarial contribution rate covers normal cost plus the unfunded actuarial liability payment based

on a 30-year amortization period. The payment to amortize the unfunded actuarial liability is determined as a level percentage of payroll based on the Actuarial Amortization Method adopted by the Investment Board.

In the fiscal year 2020, pursuant to the required rate, Regular members contributed 6.29% of covered payroll and the City contributed 9.44% of covered payroll for a total rate of 15.73%. Protection occupation members contributed 6.61% of covered payroll and the City contributed 9.91% of covered payroll, for a total rate of 16.52%.

The City's contributions to IPERS for the year ended June 30, 2020 were \$446,885.

Net Pension Liabilities, Pension Expense, Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions - At June 30, 2020, the City reported a liability of \$348,625 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City's proportion of the net pension liability was based on the City's share of contributions to the pension plan relative to the contributions of all IPERS participating employers. At June 30, 2019, the City's proportion was 0.005980%, which was a decrease of 0.012591% from its proportion measured as of June 30, 2018.

For the year ended June 30, 2020 the City pension expense, deferred outflows of resources and deferred inflows of resources totaled \$58,761, \$114,910 and \$98,974 respectively. None of these items are reflected in cash basis financial statements.

There were no non-employer contributing entities to IPERS.

Actuarial Assumptions - The total pension liability in June 30, 2019 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement, as follows:

Rate of Inflation	
(effective June 30, 2017)	2.60% per annum.
Rates of salary increase	3.25 to 16.25% average, including inflation
(effective June 30, 2017)	Rates vary by membership group
Long-term investment rate of return	7.00% compounded annually, net of investment
(effective June 30, 2017)	expense, including inflation
Wage growth	3.25% per annum, based on 2.60% inflation and
(effective June 30, 2017)	0.65% real wage inflation

The actuarial assumptions used in the June 30, 2019 valuation were based on the results of an actuarial experience study dated March 24, 2017 and a demographic assumption study dated June 28, 2018.

Mortality rates used in the 2019 valuation were based on the RP-2014 Employee and Healthy Annuitant Tables with MP-2017 generational adjustments.

The long-term expected rate of return on IPERS' investments was determined using a building-block method in which best-estimate ranges of expected future real rates (expected returns, net of investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighing the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Asset Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Domestic equity	22.0%	5.60%
International equity	15.0	6.08
Global Smart beta equity	3.0	5.82
Core plus fixed income	27.0	1.71
Public credit	3.5	3.32
Public real assets	7.0	2.81
Cash	1.0	(0.21)
Private equity	11.0	10.13
Private real assets	7.5	4.76
Private credit	3.0	3.01
Total	100%	

Discount Rate – The discount rate used to measure the total pension liability was 7.00%. The projection of cash flows used to determine the discount rate assumed employee contributions will be made at the contractually required rate and contributions from the City will be made at contractually required rates, actuarially determined. Based on those assumptions, IPERS' fiduciary net position was projected to be available to make all projected future benefit payments to current active and inactive employees. Therefore, the long-term expected rate of return on IPERS' investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the City's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate – The following presents the City's proportionate share of the net pension liability calculated using the discount rate of 7.00%, as well as what the City's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1% lower (6.00%) or 1% higher (8.00%) than the current rate.

	<u>1% Decrease (6.00%)</u>	<u>Discount Rate (7.00%)</u>	<u>1% Increase (8.00%)</u>
City's proportionated share of the net pension liability	\$ 619,045	\$ 348,625	\$ 121,799

IPERS' Fiduciary Net Position – Detailed information about IPERS' fiduciary net position is available in the separately issued IPERS financial report which is available on the IPERS' website at [www.ipers.org](http://www.ipers.org).

##### (5) Other Postemployment Benefits (OPEB)

Plan Description – The City operates a single-employer health benefit plan which provides medical/dental/prescription drug benefits for employees, retirees and their spouses. Group insurance benefits are established under Iowa Code Chapter 509A.13. The City currently finances the benefit plan on a pay-as-you-go basis. The most recent active member monthly premiums for the City and the plan members range \$343 to \$2,180. For the year ended June 30, 2020, the City contributed \$184,190 and plan members eligible for benefits contributed \$4,974 to the plan. At June 30, 2020, no assets have been accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75.

OPEB Benefits – Individuals who are employed by the City of Montezuma are eligible to participate in the group health plan are eligible to continue healthcare benefits upon retirement. Retirees under age 65 pay the same premium for the medical/prescription drug benefits as active employees, which results in an implicit rate subsidy.

Retired participants must be age 55 or older at retirement, with the exception of special service participants who must be age 50 with 22 years of services. At June 30, 2020, the following employees were covered by benefit terms:

Inactive employees or beneficiaries currently receiving benefit payments	0
Active employees	11
	<u>11</u>

**(6) Compensated Absences**

City employees accumulate a limited amount of earned but unused vacation hours for subsequent use or for payment upon termination, retirement or death. These accumulations are not recognized as disbursements by the City until used or paid. The City's approximate liability for earned vacation payable to employees at June 30, 2020 is \$18,949. This liability has been computed based on rates in effect at June 30, 2020.

**(7) Interfund Transfers**

The following are interfund transfers during the year ended June 30, 2020:

Transfer to:	Transfer from:	Amount
Capital Projects Fund	General Fund	\$ 101,965
Capital Projects Fund	Sewer Fund	1,646
Capital Projects Fund	LOST Fund	30,000
Debt Service Fund	Water Fund	70,465
Debt Service Fund	Storm Sewer Fund	10,235
Water Fund	General Fund	22
Sewer Fund	Capital Projects Fund	14,499

Transfers generally move resources from the fund statutorily required to collect the resources to the fund statutorily required to disburse the resources.

**(8) Transactions Between the City and the Component Unit**

The following are significant transactions between the City of Montezuma and the Montezuma Light and Power Plant:

Transaction Description	From City to Municipal Utility	From Municipal Utility to City
Water Dept. Electric Use	\$ (22,269)	-
Water Dept. Billing/Meter Reading	(17,502)	-
Water Dept. reimbursement for shared items	(6,399)	-
Gas Dept. Electric Use	(1,069)	-
Gas Dept. Billing/Meter Reading	(17,502)	-
Gas Dept. reimbursement for shared items	(6,637)	-
General City Electric Use	(39,321)	-
City reimbursement for shared items	(6,946)	-
Sewer/Recycling Billing	(2,100)	-
Power Plant - Taxes in lieu	-	37,541
Totals	<u>\$ (119,745)</u>	<u>37,541</u>

The Municipal Utility's personnel do the meter reading and billing for the electric, water and gas departments. The City then reimburses the Municipal Utility for their share of those costs.

**(9) Related Party Transactions**

The City had business transactions between the City and City officials, employees and associates totaling \$556 during the year ended June 30, 2020.

(10) Risk Management

The City is exposed to various risks of loss related to torts; theft, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The City assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

(11) Commitments and Contingencies

The City has entered into a contract totaling \$5,128,229. At June 30, 2020, \$2,949,967 has been paid towards this contract.

Contracts	Contract Amount	Amount Paid	% Complete
Boomerang Contruction Sewer project	\$ 5,128,229	2,949,967	58%

On December 6, 2006, the City of Montezuma Municipal Light and Power entered into a prorata investment in the Central Minnesota Municipal Power Agency's CAPX2020 Investment. There is a total contingent liability for \$238,617, or 0.88% of a \$27,115,533 investment by CMMPA. This liability was determined as of June 30, 2016 and as of June 30, 2020, none of this has been paid. To date revenues have covered costs on this investment so CMMPA has not required the funds, but we remain committed to this payment if needed.

(12) Accounting Change/Restatement

During the year ended June 30, 2019, \$13,105 in Road Use Funds were incorrectly recorded as LOST revenue on the audit report. The restatement is as follows:

	Governmental Funds						
	Special Revenue						
	General	Debt Service	Capital Projects	Local Option Sales Tax	Road Use	Employee Benefits	Total
Cash balances June 30, 2019, as previously reported	1,727,130	28,884	52,304	652,996	487,794	48,366	2,997,474
Misposted revenue				(13,105)	13,105	-	-
Cash balances July 1, 2019, as restated:	1,727,130	28,884	52,304	639,891	500,899	48,366	2,997,474

Governmental Accounting Standards Board Statement No. 84, Fiduciary Activities, was implemented during fiscal year 2020. The new requirements change the definition of fiduciary activity and establish new financial reporting requirements for state and local governments which report fiduciary activity. Beginning net position for fiduciary funds was restated to retroactively report the change in net position, as follows:

	Fiduciary Activities
Net position June 30, 2019, as previously reported	\$ -
Change to implement GASB No. 84	3,301
Net position July 1, 2019, as restated	\$ 3,301



## Other Information

**City of Montezuma, Iowa**  
**Budgetary Comparison Schedule of Receipts, Disbursements and Changes in Balances**  
**Budgetary and Actual (Cash Basis) - All Governmental Funds and Proprietary Funds**  
**Other Information**  
**Year ended June 30, 2020**

	Budgeted Amounts					
	Governmental Funds Actual	Proprietary Funds Actual	Net	Original	Final	Final to Net Variance
Receipts:						
Property tax	\$ 741,924	-	741,924	722,334	722,334	19,590
Tax increment financing collections	-	-	-	-	-	-
Other city tax	181,811	-	181,811	140,729	152,979	28,832
Licenses and permits	1,980	-	1,980	2,000	2,000	(20)
Use of money and property	24,560	111,815	136,375	8,500	33,000	103,375
Intergovernmental	299,328	-	299,328	251,392	328,992	(29,664)
Charges for services	85,542	4,722,307	4,807,849	4,743,312	3,850,000	957,849
Private contributions	90,673	-	90,673	-	-	90,673
Miscellaneous	89,055	56,167	145,222	75,000	47,000	98,222
Total receipts	1,514,873	4,890,289	6,405,162	5,943,267	5,136,305	1,268,857
Disbursements:						
Public safety	283,170	-	283,170	239,300	239,300	(43,870)
Public works	257,972	-	257,972	315,866	351,866	93,894
Health & Social Services	-	-	-	-	-	-
Culture and Recreation	153,724	-	153,724	148,590	148,590	(5,134)
Community & economic development	64,663	-	64,663	-	5,872	(58,791)
General government	205,296	-	205,296	196,203	206,203	907
Debt service	296,820	-	296,820	214,905	215,225	(81,595)
Capital projects	218,661	-	218,661	1,800,000	1,000,000	781,339
Business type activities	-	6,909,224	6,909,224	8,441,681	6,441,681	(467,543)
Total disbursements	1,480,306	6,909,224	8,389,530	11,356,545	8,608,737	219,207
Excess (deficiency) of receipts over (under) disbursements	34,567	(2,018,935)	(1,984,368)	(5,413,278)	(3,472,432)	1,488,064
Other financing sources, net	1,897,994	3,372,674	5,270,668	4,960,000	3,914,713	(1,355,955)
Excess (deficiency) of receipts and other financing sources over (under) disbursements	1,932,561	1,353,739	3,286,300	(453,278)	442,281	132,109
Balances beginning of year	2,997,474	6,372,447	9,369,921	4,492,601	4,492,601	4,877,320
Balances end of year	\$ 4,930,035	7,726,186	12,656,221	4,039,323	4,934,882	5,009,429

See accompanying independent auditor's report.

**City of Montezuma, Iowa**  
**Notes to Other Information - Budgetary Reporting**  
**June 30, 2020**

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The budgetary comparison is presented in accordance with Governmental Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the City Council annually adopts a budget on the cash basis following required public notice and hearing for all funds except the Internal Service Funds and Fiduciary Funds. The annual budget may be amended during the year utilizing similar statutorily prescribed procedures.

Formal and legal budgetary control is based upon nine major classes of disbursements known as functions, not by fund. These nine functions are: public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service, capital projects and business type activities. Function disbursements required to be budgeted include disbursements for the General Fund, the Special Revenue Funds, the Debt Service Fund, the Capital Projects Funds and the Enterprise Funds. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. During the year, one budget amendment decreased disbursements by \$2,747,808. The budget amendment is reflected in the final budgeted amounts.

During the year ended June 30, 2020, disbursements exceeded the amounts budgeted in the public safety, culture and recreation, community and economic development, debt services and business type activities functions.

**City of Montezuma, Iowa**  
**Schedule of the City's Proportionate Share of the Net Pension Liability**  
**Iowa Public Employee's Retirement System**  
**For the Last Six Years\* (In Thousands)**  
**Other Information**

	2020	2019	2018	2017	2016	2015
City's proportion of the net pension liability	0.005980%	0.006611%	0.006463%	0.006340%	0.005916%	0.006386%
City's proportion of the net pension pension liability	\$ 349	418	427	395	294	258
City's covered-employee payroll	\$ 465	500	478	451	408	427
City's proportionate share of the net pension liability as a percentage of its covered-employee payroll	75.05%	83.60%	89.33%	87.58%	72.06%	60.42%
Plan fiduciary net position as a percentage of the total pension liability	85.45%	83.62%	82.21%	81.82%	85.19%	87.61%

\*In accordance with GASB Statement No. 68, the amounts presented for each fiscal year were determined as of June 30 of the preceding fiscal year.

See accompanying independent auditor's report.

**Note:** GASB Statement No. 68 requires ten years of information to be presented in this table. However, until a full 10-year trend is compiled, the City will present information for those years for which information is available.

**City of Montezuma, Iowa**  
**Schedule of City Contributions**  
**Iowa Public Employees' Retirement System**  
**Last 10 Fiscal Years (In Thousands)**  
**Other Information**

	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
Statutorily required contribution	\$ 47	44	45	43	40	36	38	40	35	28
Contributions in relation to the statutorily required contribution	(47)	(44)	(45)	(43)	(40)	(36)	(38)	(40)	(35)	(28)
Contribution deficiency (excess)	\$ -	-	-	-	-	-	-	-	-	-
City's covered-employee payroll	\$ 497	\$ 465	500	478	451	408	427	458	435	400
Contributions as a percentage of covered-employee payroll	9.46%	9.46%	9.00%	9.00%	8.87%	8.82%	8.90%	8.73%	8.05%	7.00%

See accompanying independent auditor's report.

Changes of benefit terms:

There are no significant changes in benefit terms.

Changes of assumptions:

The 2018 valuation implemented the following refinements as a result of a demographic assumption study dated June 28, 2018:

- Changed mortality assumptions to the RP-2014 mortality tables with mortality improvements modeled using Scale MP-2017.
- Adjusted retirement rates.
- Lowered disability rates.
- Adjusted the probability of a vested Regular member electing to receive a deferred benefit.
- Adjusted the merit component of the salary increase assumption.

The 2017 valuation implemented the following refinements as a result of an experience study dated March 24, 2017:

- Decreased the inflation assumption from 3.00% to 2.60%.
- Decreased the assumed rate of interest on member accounts from 3.75% to 3.50% per year.
- Decreased the discount rate from 7.50% to 7.00%.
- Decreased the wage growth assumption from 4.00% to 3.25%.
- Decreased the payroll growth assumption from 4.00% to 3.25%.

The 2014 valuation implemented the following refinements as a result of a quadrennial study:

- Decreased the inflation assumption from 3.25% to 3.00%.
- Decreased the assumed rate of interest on member accounts from 4.00% to 3.75% per year.
- Adjusted male mortality rates for retirees in the Regular membership group.
- Moved from an open 30 year amortization period to a closed 30 year amortization period for the UAL (unfunded actuarial liability) beginning June 30, 2014. Each year thereafter, changes in the UAL from plan experience will be amortized on a separate closed 20-year period.

## **Supplementary Information**

## Schedule 1

## City of Montezuma, Iowa

## Combining Statement of Cash Receipts, Disbursements and Changes in Cash Balances

## Non-Major Proprietary Funds

As of and for the year ended June 30, 2020

	Enterprise Funds		Total
	Storm Water	Recycling	
Operating receipts:			
Charges for service	\$ 26,867	65,178	92,045
Total operating receipts	26,867	65,178	92,045
Operating disbursements:			
Business type activities	618	62,305	62,923
Total operating disbursements	618	62,305	62,923
Excess (deficiency) of operating receipts over (under) operating disbursements	26,249	2,873	29,122
Non-operating receipts (disbursements):			
Interest on investments	-	101	101
GO Bond proceeds	95,000	-	95,000
GO Bond premium	3,430	-	3,430
GO Bond discount	(1,568)	-	(1,568)
Net non-operating receipts (disbursements)	96,862	101	96,963
Excess (deficiency) of receipts over (under) disbursements	123,111	2,974	126,085
Transfers out	(10,235)	-	(10,235)
Change in cash balances	112,876	2,974	115,850
Cash balances beginning of year	34,600	35,732	70,332
Cash balances end of year	\$ 147,476	38,706	186,182
<b>Cash Basis Fund Balances</b>			
Unrestricted	\$ 147,476	38,706	186,182
Total cash basis fund balances	\$ 147,476	38,706	186,182

See notes to financial statements.



**City of Montezuma, Iowa**  
**Schedule of Indebtedness**  
**Year ended June 30, 2020**

Obligation	Date of Issue	Interest Rates	Amount Originally Issued	Balance Beginning of Year	Issued During Year	Redeemed During Year	Balance End of Year	Interest & Fees Paid	Interest Due and Unpaid
General obligation bonds:									
South Diamond Subdivision Housing project & refunding	10/30/2012	1-2.25%	\$1,215,000	260,000	-	65,000	195,000	6,025	352
Water/Sewer/Street/Drainage Improvements-4th Street	6/21/2018	2.625-3.00%	\$925,000	805,000	-	65,000	740,000	23,944	1,783
3rd Street/Stormwater/Water	4/30/2020	2.00-4.00%	\$2,160,000	-	2,160,000	130,000	2,030,000	5,851	5,155
Total				<u>\$ 1,065,000</u>	<u>2,160,000</u>	<u>260,000</u>	<u>2,965,000</u>	<u>35,820</u>	<u>7,290</u>
Revenue Notes:									
Water SRF-Series 2011	4/1/2011	3.00%	\$1,963,734	1,414,000	-	89,000	1,325,000	45,955	3,313
Sewer SRF-Series 2015	9/4/2015	1.75%	\$385,845	338,000	-	17,000	321,000	6,760	535
Sewer SRF-Series 2019	10/4/2019	1.75%	Not finalized	-	3,068,347	244,000	2,824,347	44,428	980
				<u>\$ 1,752,000</u>	<u>3,068,347</u>	<u>350,000</u>	<u>4,470,347</u>	<u>97,143</u>	<u>4,828</u>

See accompanying independent auditor's report.

**City of Montezuma, Iowa**  
**Bond and Note Maturities**  
**Year ended June 30, 2020**

General Obligation bonds									
Year Ending June 30,	Housing Project & Refunding		Water/Sewer/Street/Drainage Improvements			3rd Street/Stormwater/Water			
	Issued Oct 30, 2012		Issued Jun 21, 2018			Issued Apr 30, 2020			
	Interest Rates	Amount	Interest Rates	Amount		Interest Rates	Amount		Total
2021	2.000%	\$ 65,000	2.625%	\$	70,000	2.000%	\$	110,000	245,000
2022	2.250	65,000	2.625		70,000	2.000		110,000	245,000
2023	2.250	65,000	2.625		75,000	2.300		15,000	155,000
2024	-	-	3.000		145,000	2.300		15,000	160,000
2025	-	-	3.000		150,000	2.300		15,000	165,000
2026	-	-	3.000		155,000	2.300		15,000	170,000
2027	-	-	3.000		75,000	2.300		80,000	155,000
2028	-	-	-		-	2.300		130,000	130,000
2029	-	-	-		-	2.300		135,000	135,000
2030	-	-	-		-	2.600		140,000	140,000
2031	-	-	-		-	2.600		140,000	140,000
2032	-	-	-		-	2.600		145,000	145,000
2033	-	-	-		-	2.600		150,000	150,000
2034	-	-	-		-	4.000		150,000	150,000
2035	-	-	-		-	4.000		160,000	160,000
2036	-	-	-		-	4.000		165,000	165,000
2037	-	-	-		-	4.000		170,000	170,000
2038	-	-	-		-	4.000		185,000	185,000
Total		<u>\$ 195,000</u>		<u>\$</u>	<u>740,000</u>		<u>\$</u>	<u>2,030,000</u>	<u>2,965,000</u>

Revenue Bonds									
Year Ending June 30,	Water		Sewer			Sewer			
	Issued Apr 1, 2011		Issued Sep 4, 2015			Issued Oct 4, 2019			
	Interest Rates	Amount	Interest Rates	Amount		Interest Rates	Amount		Total
2021	3.00%	\$ 92,000	2.00%	\$	17,000	1.75%	\$	208,000	317,000
2022	3.00	95,000	2.00		18,000	1.75		212,000	325,000
2023	3.00	98,000	2.00		18,000	1.75		216,000	332,000
2024	3.00	101,000	2.00		18,000	1.75		221,000	340,000
2025	3.00	105,000	2.00		19,000	1.75		225,000	349,000
2026	3.00	108,000	2.00		19,000	1.75		229,000	356,000
2027	3.00	111,000	2.00		19,000	1.75		234,000	364,000
2028	3.00	115,000	2.00		20,000	1.75		239,000	374,000
2029	3.00	119,000	2.00		20,000	1.75		243,000	382,000
2030	3.00	123,000	2.00		21,000	1.75		248,000	392,000
2031	3.00	127,000	2.00		21,000	1.75		253,000	401,000
2032	3.00	131,000	2.00		21,000	1.75		258,000	410,000
2033	-	-	2.00		22,000	1.75		38,347	671
2034	-	-	2.00		22,000				
2035	-	-	2.00		23,000				
2036	-	-	2.00		23,000				
Total		<u>\$ 1,325,000</u>		<u>\$</u>	<u>321,000</u>		<u>\$</u>	<u>2,824,347</u>	<u>4,470,347</u>

See accompanying independent auditor's report.

**City of Montezuma, Iowa**  
**Schedule of Receipts by Source and Disbursements by Function**  
**All Governmental Funds**  
**For the Last Ten Years**

	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
Receipts:										
Property tax	\$ 741,924	740,756	666,324	709,912	701,298	637,941	607,700	572,150	577,547	543,152
Tax increment financing collections	-	-	-	-	0	-	-	-	-	6,779
Other taxes	181,811	182,054	148,137	167,179	138,860	162,974	140,143	132,326	150,447	130,827
Licenses & permits	1,980	2,540	2,560	2,445	2,985	2,384	2,013	1,994	4,325	2,913
Use of money and property	24,560	34,042	19,870	18,830	5,296	3,974	5,028	7,422	6,748	17,806
Intergovernmental	299,328	244,383	264,125	201,684	1,111,507	225,438	180,249	159,930	163,456	145,670
Charges for service	85,542	107,952	110,377	92,415	87,567	100,190	104,159	119,828	89,422	80,913
Miscellaneous	179,728	125,137	173,860	209,132	298,360	314,381	187,266	197,276	167,951	142,295
Total	<u>\$ 1,514,873</u>	<u>1,436,864</u>	<u>1,385,253</u>	<u>1,401,597</u>	<u>2,345,873</u>	<u>1,447,282</u>	<u>1,226,558</u>	<u>1,190,926</u>	<u>1,159,896</u>	<u>1,070,355</u>
Disbursements:										
Operating:										
Public safety	\$ 283,170	476,957	202,651	255,201	236,359	313,641	436,460	196,727	281,151	178,712
Public works	257,972	258,926	420,391	322,092	340,596	274,369	248,618	352,875	355,719	326,212
Health and social services	-	-	-	-	-	-	-	-	-	-
Culture and recreation	153,724	177,178	165,064	135,641	128,291	131,648	127,869	127,053	134,210	143,730
Community & economic development	64,663	19,500	13,500	19,000	-	72,924	53,821	-	-	-
General government	205,296	189,459	204,756	177,743	160,371	150,169	152,067	219,590	194,967	141,931
Debt service	296,820	212,972	82,488	270,815	277,850	270,965	857,907	233,229	204,876	251,373
Capital projects	218,661	985,717	84,122	35,537	1,858,507	126,592	268,145	545,352	-	-
Total	<u>\$ 1,480,306</u>	<u>2,320,709</u>	<u>1,172,972</u>	<u>1,216,029</u>	<u>3,001,974</u>	<u>1,340,308</u>	<u>2,144,887</u>	<u>1,674,826</u>	<u>1,170,923</u>	<u>1,041,958</u>

See accompanying independent auditor's report.



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**Van Maanen, Sietstra, Meyer & Nikkel, PC**  
**CERTIFIED PUBLIC ACCOUNTANTS**

**Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance  
and Other Matters Based on an Audit of Financial Statements Performed in Accordance with  
Government Auditing Standards**

To the Honorable Mayor and Members of the City Council  
City of Montezuma  
Montezuma, Iowa

We have audited in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business type activities, the discretely presented component unit, each major fund and the aggregate remaining fund information of the City of Montezuma, Iowa as of and for the year ended June 30, 2020, and the related Notes to Financial Statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated October 29, 2020. Our report expressed unmodified opinions on the financial statements which were prepared on the basis of cash receipts and disbursements, a basis of accounting other than U.S. generally accepted accounting principles.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City of Montezuma's internal control over financial reporting to determine the audit procedures appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of Montezuma's internal control. Accordingly, we do not express an opinion on the effectiveness of the City of Montezuma's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying Schedule of Findings, we identified certain deficiencies in internal control we consider to be a material weakness.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of City of Montezuma's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiency described in Part I of the accompanying Schedule of Findings as item (I-A-20) to be a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Montezuma's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of non-compliance or other matters which are described in Part II of the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the City's operations for the year ended June 30, 2020 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the City. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

#### City of Montezuma's Responses to Findings

The City of Montezuma's responses to findings identified in our audit are described in the accompanying Schedule of Findings. The City of Montezuma's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

#### Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing and not to provide an opinion on the effectiveness of the City's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Audit Standards* in considering the City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of the City of Montezuma during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

*Van Maanen, Sietstra, Meyer & Nikkel PC*

Van Maanen, Sietstra, Meyer & Nikkel, PC  
Certified Public Accountants

October 29, 2020

**Part I: Findings Related to the Financial Statements:**

**INTERNAL CONTROL DEFICIENCIES:**

- (I-A-20) Segregation of Duties - One important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. The cash receipts listing, bank deposits and the posting of the cash receipts to the cash receipts journal are all done by the same person.

Recommendation - We realize segregation of duties is difficult with a limited number of office employees. However, the City should review its control procedures to obtain the maximum internal control possible under the circumstances. The City should segregate duties to the extent possible with existing personnel and utilize administrative personnel to provide additional control through review of financial transactions and reports.

Management Response - We will consider this.

Conclusion - Response acknowledged.

**INSTANCES OF NON-COMPLIANCE:**

No matters were noted.

**Part II: Other Findings Related to Statutory Reporting:**

- (II-A-20) Certified Budget - Disbursements during the year ended June 30, 2020 exceeded the budget in public safety, culture and recreation, community and economic development, debt service and business type activities functions. Chapter 384.20 of the Code of Iowa states, in part, "Public monies may not be expended or encumbered except under an annual or continuing appropriation."

Recommendation - The budget should have been amended in accordance with Chapter 384.18 of the Code of Iowa before disbursements were allowed to exceed the budget.

Management Response - The budget will be amended in the future, if applicable.

Conclusion - Response accepted.

- (II-B-20) Questionable Disbursements - No disbursements were noted that we believe may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979.

- (II-C-20) Travel Expense - No disbursements of City of Montezuma money for travel expenses of spouses of City officials or employees were noted.

- (II-D-20) Business Transactions

Business transactions between the City and City officials, employees or associates for the year ended June 30, 2020 are detailed as follows:

<u>Name, Title and Business Connection</u>	<u>Transaction Description</u>	<u>Amount</u>
Troy Cranston, Member of the Water Board Owner of Cranston Landscaping	Landscaping services	\$556

In accordance with Chapter 362.5(3)(j) of the Code of Iowa, the transactions with the member of the water board does not appear to represent a conflict of interest since total transactions with the individual was less than \$6,000 during the fiscal year.

**City of Montezuma, Iowa**  
**Schedule of Findings**  
**Year Ended June 30, 2020**

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- (II-E-20) Restricted Donor Activity – No transactions were noted between the City, City officials, City employees and restricted donors in compliance with Chapter 68B of the Code of Iowa.
- (II-F-20) Bond Coverage - Surety bond coverage of City officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to ensure that coverage is adequate for current operations.
- (II-G-20) Council Minutes - No transactions were found that we believe should have been approved in the Council minutes but were not.
- (II-H-20) Deposits and Investments - No instances of noncompliance with the deposit and investment provisions of Chapter 12B and 12C of the Code of Iowa and the City's investment policy were noted.
- (II-I-20) Revenue Bonds and Notes – No instances of non-compliance with the revenue note resolutions were noted.
- (II-J-20) Separately Maintained Records – Chapter 384.20 of the Code of Iowa states, in part, "A city shall keep accounts which show an accurate and detailed statement of all public funds collected, received, or expended for any city purpose, by any city officer, employee, or other person, and which show the receipt, use, and disposition of all city property."

The City Fire Department maintains bank accounts for activity separate from the City Clerk's accounting records. While this Department is part of the City, the transactions and the resulting balances were not included in the City's accounting records and were not included in the City's annual budget, monthly financial reports or Annual Financial Reports.

In addition, the transactions and resulting balances of these accounts were not reported to the City Council and disbursements from the accounts were not reviewed and approved by the City Council. Also, a summary of each account's receipts, total disbursements and the listings of claims allowed each month were not published in accordance with Chapter 372.13(6) of the Code of Iowa.

Recommendation – In accordance with Chapter 384.20 of the Code of Iowa, and to strengthen internal control and increase operating efficiencies, the financial transactions of the Fire Department separate accounts should be integrated with the City's accounting records in the City Clerk's office. The financial activity should be included in the City Clerk's accounting records, monthly financial reports and the Annual Financial Reports. The activity in these accounts should be subject to City Council review and approval and should be included in the City's budget process. Also, a summary of each account's receipts, total disbursements and listings of claims allowed each month should be published, as required.

Management Response – The Mayor and/or City Council will meet with the Fire Department to discuss the transition plan.

Conclusion – Response accepted.